

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the)

PUBLIC UTILITIES COMMISSION)

DOCKET NO. 2008-0273

Instituting a Proceeding to)
Investigate the Implementation)
Of Feed-in Tariffs.)
_____)

STATEMENT OF POSITION

BY

HAWAII HOLDINGS, LLC,
DOING BUSINESS AS FIRST WIND HAWAII

and

CERTIFICATE OF SERVICE

Of Counsel:

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PUBLIC UTILITIES
COMMISSION

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FILED

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STATEMENT OF POSITION

BY

HAWAII HOLDINGS, LLC,
DOING BUSINESS AS FIRST WIND HAWAII

TO THE HONORABLE PUBLIC UTILITIES COMMISSION OF THE STATE OF HAWAII:

HAWAII HOLDINGS, LLC, doing business as First Wind Hawaii, a Delaware limited liability company ("First Wind"), respectfully submits its initial Statement of Position with respect to the proposals for feed-in tariff designs, policies and pricing procedures submitted in this docket, pursuant to the Commission's Order Approving the HECO Companies' Proposal Procedural Order, As Modified, filed on January 20, 2009 (the "Order"). First Wind submits its Statement of Position below for the Commission's consideration and use in its deliberations on these and related issues, but respectfully reserves its right to further elaborate its responses in future submissions in this docket as may be appropriate.

**I. THE NATURE OF FIRST WIND'S WIND ENERGY PROJECTS
IN HAWAII AND THE FEED-IN TARIFF PROPOSAL**

1. The Nature of First Wind's Wind Energy Projects in Hawaii. First Wind, through its affiliates, has developed the 30 megawatt ("MW") Kaheawa Wind Power Project, located at Kaheawa Pastures, Maui, Hawaii, and sells the electric energy generated to Maui Electric Company, Limited ("MECO") pursuant to a Power Purchase Agreement ("PPA") that has been approved by the Commission. First Wind, through its affiliates, is also developing (i) a 21 MW wind energy project adjacent to the Kaheawa Wind Power Project site, and will sell electric energy generated therefrom to MECO, (ii) a 30 MW wind energy project in Kahuku, Oahu, and will sell electric energy generated therefrom to Hawaiian Electric Company, Inc. ("HECO"), and (iii) a 350 MW wind energy project on Molokai, and will sell electric energy generated therefrom to HECO. First Wind does not plan to develop any smaller-sized wind energy projects in Hawaii.

As is discussed more fully below, the feed-in tariff ("FIT") that has been proposed and submitted in this docket would not accommodate the types and sizes of wind energy projects that First Wind has developed, and is developing, in Hawaii. Hence, the FIT as proposed would not apply to First Wind's wind energy projects, although First Wind is interested in the ultimate form of FIT that the Commission may seek to adopt, particularly with respect to matters such as potential curtailment policies and procedures that could affect the operations of large-scale wind energy projects of First Wind.

2. The FIT Proposal by the HECO Companies and the Consumer Advocate.

Hawaiian Electric Company, Inc. ("HECO"), Maui Electric Company, Limited ("MECO") and Hawaii Electric Light Company, Inc. ("HELCO") (collectively, the "HECO

Companies") and the Division of Consumer Advocacy, Department of Commerce and Consumer Affairs (the "Consumer Advocate") filed with the Commission on December 23, 2008, their *Joint Proposal on Feed-In Tariffs of the HECO Companies and Consumer Advocate* (the "Joint Proposal"), to which is attached the *HECO Feed-in Tariff Program Plan* (December 23, 2008), prepared by KEMA for the HECO Companies (the "KEMA Report").¹ The plan set forth in the Joint Proposal describes the capacity for the eligible projects for the first phase of the plan to be as follows:

Technology	Capacity	Island
Photovoltaic (PV)	up to and including 500 kW	Oahu
	up to and including 250 kW	Maui, Hawaii
	up to and including 100 kW	Lanai, Molokai
Concentrated Solar Power (CSP)	up to and including 500 kW	Oahu, Maui, Hawaii
	up to and including 100 kW	Lanai, Molokai
In-line hydro	up to and including 100 kW	Oahu, Maui, Lanai, Molokai, Hawaii
Wind	up to and including 100 kW	Oahu, Maui, Lanai, Molokai, Hawaii

Joint Proposal at 9-10; KEMA Report at 15.

Based on the plan set forth in the Joint Proposal, it appears that the FIT program, at least initially, will center on projects that are considerably smaller in capacity than any of First Wind's existing wind energy project and the several wind energy projects that it is currently developing. Further, each of First Wind's projects, as large-scale utility-sized projects, has design, total development cost, development requirements, financing, energy pricing, performance requirements, location and other characteristics that are unique to each project and can effectively only be covered in extensively negotiated power purchase arrangements and

¹ The Commission had previously filed the National Regulatory Research Institute ("NRRI") scoping paper entitled *Feed-in Tariffs: Best Design Focusing Hawaii's Investigation* (December 2008) (the "Scoping Paper"). The Scoping Paper focuses on project-based feed-in tariffs. *Id.* at 1, 5. The Joint Proposal was subsequently filed in this docket. Hence, First Wind's discussion herein considers only the Joint Proposal.

interconnection arrangements with the utility concerned. Such projects would not be amendable to the FIT arrangements as outlined in the Joint Proposal. *See*, KEMA Report §3.2.2 at 10.

3. The FIT Program as Outlined in the Joint Proposal is Based on the Requirements of HECO's Rule 14H Governing Interconnection for Distributed Generation, which Excludes the Wind Energy Projects of First Wind. The Joint Proposal states that "The proposed FIT operates in conjunction with the HECO Companies' interconnection review processes an tariff, known as Tariff Rule 14.H." ("Rule 14.H"). *Id.* at 14, 9; *see, also*, KEMA Report §3.7 at 31-33. Rule 14.H² requires that "Distributed generating facilities operating in parallel with the Company's electric system shall satisfy the Company's Interconnection Standards", which require, for customers on whose premises such distributed generation is located, that the customer enters into a "Standard Interconnection Agreement" with HECO. *Id.* §§1.a and 2.a. It also states that "The Standard Interconnection Agreement does not apply when (1) the Customer enters into a power purchase agreement for the sale to the Company of electric energy generated by the distributed generating facility." *Id.* §2.c. Finally, it is clear that First Wind's existing wind energy project and its projects under development are not encompassed by the term "distributed generating facility." The Commission had earlier set forth the following definition: "Distributed energy involves the use of *small scale* electric generating technologies installed at, or in close proximity to, the end-user's location." Decision and Order No. 22248, issued January 27, 2006, in Docket No. 03-0371, at 1-2.

Hence, the Joint Proposal, by incorporating the applicability of Rule 14.H, confirms that First Wind's wind energy projects do not fall within the purview of the Joint Proposal.

² Revised Sheet No. 34A-1 *et seq.*, effective April 18, 2008, part of Rule No. 14, reissued June 1, 1988.

II. ISSUES OF POTENTIAL CONCERN TO FIRST WIND

Notwithstanding that the Joint Proposal would not apply to First Wind's wind energy projects, First Wind notes that the consideration of the Joint Proposal, and any other alternative proposals that may be submitted in this docket, is only in the early stage of consideration. It is possible that further consideration of the FIT proposal or proposals would raise issues that could affect the electric utilities' operations, and operational limitations, with respect to power purchase arrangements of as-available electric energy generated by large-scale wind energy projects such as those developed and being developed by First Wind. Such issues could involve, among other matters, utility infrastructure improvements, retirement of older fossil fuel (diesel and oil/steam) electric energy generating units, operational and control improvements to existing generating units, and modernization to biofuels combustion turbine/combined cycle generation for faster system response to allow more penetration of renewable energy on the utility's grid system, the degree of curtailments of the delivery of renewable energy by the utilities, and other issues not yet identified.

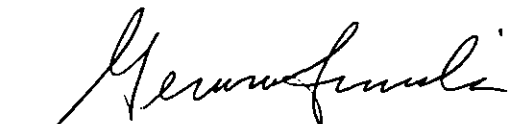
While distributed generation is a first step in moving to a renewable energy portfolio consistent with the goals of the Hawaii Clean Energy Initiative -- just as energy conservation and load management practices should be encouraged -- these measures by themselves will not achieve energy independence, security and price stabilization for utility ratepayers. For the State of Hawaii to achieve the energy independence by 2030 as called for in the Hawaii Clean Energy Initiative, the State and the Commission should expand the FIT program to encompass utility-scale projects. As with distributed generation projects, larger scale renewable energy projects require price certainty for at least the first fifteen (15) years of a project's duration in order to provide financial stability and certainty for the project's financing.

parties and investors. This price certainty, of course, presumes that the renewable energy project meets certain performance criteria and delivers energy to the grid and the utility's ratepayers. Such a project not only effectively uses the State's indigenous renewable energy resources, but also provides a very effective hedge against the volatile price of imported oil as we have recently witnessed and undoubtedly will see again. First Wind thus strongly encourages the Commission to examine the expansion of the FIT program to include utility-scale renewable energy projects.

Given the early stage of this docket, First Wind may desire to supplement its Statement of Position on specific issues if and should they arise in this docket.

Respectfully submitted:

DATED: Honolulu, Hawaii, February 25, 2009.



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I hereby certify that I have this date served copies of the foregoing motion upon the following parties, by causing copies hereof to be hand delivered or electronically transmitted to each such party as follows:

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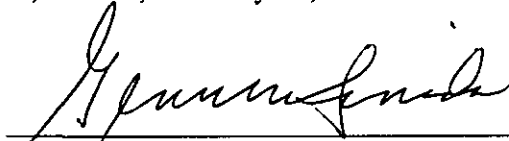
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DATED: Honolulu, Hawaii, February 25, 2009.

A handwritten signature in dark ink, appearing to read 'Gerald A. Sumida', is written over a horizontal line.

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